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THE WHITE HOUSE
WASHINGTON

Executive Registry

85- 3635/1

CABINET AFFAIRS STAFFING MEMORANDUM

Date: September 19, 1985 Number: 175551CA Due By: 4 p.m., today

Subject: FACT SHEET: The President's Trade Policy Action Plan

	Action	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>
Vice President	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Justice	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Interior	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HHS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HUD	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Education	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chief of Staff	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CIA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
UN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>
NASA	<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input type="checkbox"/>	<input type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>
McFarlane	<input type="checkbox"/>	<input type="checkbox"/>
Svahn	<input type="checkbox"/>	<input type="checkbox"/>
Chew (For WH Staffing)	<input type="checkbox"/>	<input type="checkbox"/>
STUCKY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Executive Secretary for:	<input type="checkbox"/>	<input type="checkbox"/>
DPC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
EPC	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

TO: DIRECTOR CASEY (ATTN: [redacted])

Please provide any comments/edits you may have directly to Gene McAllister (456-6556) by 4 p.m. today, and an information copy to my office.

Thanks.

RETURN TO:

☒ Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

DCI
EXEC
REG

☐ Don Clarey
☐ Ed Stucky
☐ Rick Davis

Associate Director
Office of Cabinet Affairs
456-2800 (Room 129, OE08)

Ex Sec. H/c TO
NIO/ECON For Action
1545

19 Sept.
Direct Response
no further
action req'd.

9-19-85
2:00 p.m.

The President's Trade Policy Action Plan

The President's trade policy is based on five principles:

- 1. Free trade and fair trade are in the best interest of the citizens of the United States. Free trade produces more jobs, a more productive use of our nation's resources, more rapid innovation, and a higher standard of living. Free trade also advances our national security interests by strengthening the economic and political systems of our allies. Fair trade based upon mutually acceptable rules is necessary for support of free trade.**
- 2. The United States plays the critical role in ensuring and promoting an open trading system. If the United States falters in its defense and promotion of the free worldwide trading system, the system will collapse, adversely affecting our national well-being.**
- 3. The United States' role does not absolve our trading partners from a major obligation to support a more open trading system. This obligation includes: dismantling trade barriers, eliminating subsidies and other forms of unfair trade practices, and entering into trade liberalization negotiations in the GATT.**
- 4. The international trading system is based upon cooperation. Since World War II, we have made enormous progress in moving toward an open worldwide trading system. Protectionism threatens to undermine the system. Our trading partners must join us in working to improve the system of trade that has contributed to economic growth and security of ourselves and our allies.**
- 5. America has never been afraid to compete. When trade follows the rules, and there is an equal opportunity to compete, American business is as competitive as any. This is fair trade and we will not impair it. When these conditions do not exist, it is unfair trade, and we will fight it.**

The President has taken a number of actions to translate these principles into policy.

Making Free Trade Fair Trade

The President will vigorously pursue U.S. rights and interests in international commerce under U.S. law and the GATT, and will see that other countries live up to their obligations and trade agreements with the U.S. More specifically:

- 2 -

1. The President will attack foreign unfair trade practices. Using the authority granted him in the Trade Act of 1974, the President has asked the United States Trade Representative to initiate or accelerate unfair trade practice investigations, the first time ever done so by a President of the United States. Other actions, when appropriate, will be taken. Those taken so far are:
 - o Japanese leather, and leather footwear import restrictions
 - o European Community canned fruit subsidies
 - o Korean insurance policy barriers
 - o Brazil's restrictive informatics policy
 - o Japan's tobacco restrictions
2. To discourage our trading partners from seeking unfair advantage by using predatory credits to subsidize their exports, the President has asked the Secretary of the Treasury to draft legislation to establish a fund of \$300 million in grants which would support up to \$1 billion in tied aid credits to regain U.S. markets that were taken away by trading partners who use such subsidies.
3. The President has asked the United States Trade Representative to initiate and accelerate both bilateral and multilateral negotiations with countries where the counterfeiting or piracy of U.S. goods has occurred. The Administration will increase efforts to protect intellectual property rights (patents, copyrights, trademarks), with a view toward possible legislative or administrative initiatives.
4. The President has asked the Secretary of State to establish time limits on the current discussions with Japan designed to open access to specific Japanese markets, at the end of which specific commitments will be evaluated and follow-up procedures begun. New sectors will be added that offer the promise of expanded U.S. exports.

Promoting Free Trade and Exports

The United States is a great trading nation. The health of our economy depends on both exports and imports. The President's goal is to preserve as a free and open a trading system as possible. A free and open system will be a fair system.

1. The President seeks to engage our trading partners in multilateral negotiations in the GATT to achieve freer trade, increase access for U.S. exports, and repair the fabric of the international trading system.

- 3 -

The President wants to use the multilateral negotiating process to improve access for U.S. agriculture, high technology and other competitive products and address newer forms of international trade problems, including intellectual property protection, services trade, and investment issues.

2. The President will also explore possible bilateral and plurilateral trade agreements that would promote more open trade and serve U.S. economic interests.
3. The President has asked the Secretary of Commerce and the Economic Policy Council, in conjunction with the President's Export Council, to review the adequacy of current export promotion activities with a view toward strengthening them and increasing private sector involvement.
4. To better assist workers in adjusting to the dynamics of the world trading system, the President has asked the Secretary of Labor and the Economic Policy Council to review existing worker assistance programs to assure that they promote an effective policy that contributes to the maximum capacity for change, mobility, and increased productivity.

Improving the World and Domestic Economic Environments

The trade deficit has grown because economic difficulties abroad have persisted while the U.S. has been more successful in utilizing our economic opportunities. Our superior economic performance is reflected in the high value of the dollar. Better balance in world economic performance must be achieved.

1. The President believes his tax reform proposal is essential to strengthening the economy and making U.S. businesses more competitive in international markets.
2. The President has asked the Secretary of the Treasury to urge Bonn Summit participants to act on their commitments to remove rigidities and imbalances in their economies. We are not seeking old fashioned "pump priming" but rather basic policy shifts such as reducing the size of the government sector, lowering taxes, and liberalizing financial markets.
3. The United States is prepared to consider the value of hosting a high-level meeting of the major industrial countries to build upon the Group of Ten monetary studies by considering in a cooperative fashion, the policies and performance of the major industrial countries, and how these can be improved to promote convergence toward non-inflationary growth.
4. The President has also asked the Secretary of the Treasury to encourage debt-burdened LDCs to reduce government impediments to the functioning of markets, encourage private

- 4 -

production, and substitute capital for debt by encouraging both domestic and foreign investment.

WASHFAX RECEIPT

THE WHITE HOUSE

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URGENT

MESSAGE NO. 693 CLASSIFICATION UNCLAS PAGES 5
FROM Alfred Kingon (NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION

STAT (AGENCY)	DELIVER TO:	DEPT/ROOM NO.	EXTENSION
<u>A</u>	<u>Mary in Casey's Ofc</u>		

REMARKS

Need Clearance by 4:00 PM
Today!

URGENT

THE WHITE HOUSE
WASHINGTON

85- 3635

CABINET AFFAIRS STAFFING MEMORANDUM

Date: September 19, 1985 Number: 175346CA Due By: —

Subject: Memo to the EPC from Senator Frank Murkowski on Resolving the Trade Deficit

	Action	FYI		Action	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Justice	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	McFarlane	<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Svahn	<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Chew (For WH Staffing)	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Chief of Staff	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Executive Secretary for:		
UN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	DPC	<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	EPC	<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
NASA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: TO: SECRETARY SHULTZ (Attn: S. Lopez, 632-5804)
DIRECTORY CASEY (Attn:)

Please review the attached for the EPC meeting at 10 a.m. today.

Thanks.

RETURN TO:

☒ Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Don Clary
☐ Ed Stucky
☐ Rick Davis

Associate Director
Office of Cabinet Affairs
456-2800 (Room 129, OE08)

DCI
EXEC
REG

L-300B

M E M O R A N D U M

DATE: September 18, 1965
TO: ECONOMIC POLICY COUNCIL
FROM: SENATOR FRANK MURKOWSKI
SUBJECT: RESOLVING THE TRADE DEFICIT

I KNOW THAT YOU SHARE MY CONCERN THAT WE MUST ADOPT A RESPONSIVE TRADE POLICY IN THE WEEKS AHEAD. THE TRADE ISSUE HAS BECOME POLITICIZED AND IS NOW SQUARELY BEFORE THE CONGRESS. IT'S TIME TO GET SPECIFIC ON FINDING REMEDIES TO OUR TRADE PROBLEM, AND I WOULD LIKE TO SUGGEST ONE SOLUTION THAT COULD BE BENEFICIAL TO OUR TRADE PROBLEMS IN SEVERAL WAYS.

WE NEED UNITED STATES PARTICIPATION IN THE TRANSPORTATION OF JAPANESE AUTOMOBILE IMPORTS. VEHICLE IMPORTS FROM JAPAN TO THE UNITED STATES ARE PROJECTED TO REACH 2.3 MILLION, OR 21.5% OF THE TOTAL U.S. AUTOMOBILE MARKET IN THE COMING YEAR. AT THE PRESENT TIME, ALL OF THE VEHICLES ARE BEING TRANSPORTED ON JAPANESE OWNED OR CONTROLLED SHIPS.

MARITIME UNION LEADERS AND U.S. SHIPPING COMPANIES HAVE TESTIFIED BEFORE CONGRESS THAT U.S. FLAG VESSELS CAN BE COMPETITIVE WITH JAPANESE VESSELS ON A PER VOYAGE OPERATING COST BASIS. BOTH GROUPS HAVE INDICATED THEIR WILLINGNESS TO JOIN TOGETHER TO BUILD SHIPS IN JAPAN TO BE MANNED BY AMERICAN CREWS TO GARNER SOME OF THIS TRADE, ASSUMING CONTRACTS COULD BE OBTAINED FROM JAPANESE AUTO MANUFACTURERS TO AMORTIZE THE COST OF THE SHIPS.

AS JAPAN'S LARGEST CUSTOMER IN THE AUTOMOBILE MARKET, IT IS ONLY FAIR THAT WE SHARE IN SOME OF THIS TRADE. THERE IS INTERNATIONAL PRECEDENT IN THE UNITED NATIONS, UNCTAD, FOR ALLOCATING SHIPPING BETWEEN COUNTRIES OF ORIGIN AND COUNTRIES OF DESTINATION — THE SO CALLED "40-40-20" CONCEPT. SHARING A PART OF THIS TRANSPORTATION TRADE WOULD BRING POSITIVE RELIEF NOT ONLY TO OUR INCREASING SERVICES TRADE DEFICIT WITH JAPAN BUT WOULD CREATE NEW JOBS FOR OUR MARITIME LABOR INDUSTRY.

SECURING A PORTION OF THE AUTOCARRIER MARKET FOR THE U.S. MARITIME INDUSTRY WILL SOFTEN OBJECTIONS PREVIOUSLY RAISED OVER THE EXPORT OF ALASKAN CRUDE OIL, ESPECIALLY IF THAT OIL IS MOVED TO PACIFIC RIM COUNTRIES IN U.S. VESSELS. CONSEQUENTLY, IT IS APPROPRIATE TO TAKE ANOTHER LOOK AT THE ALASKA OIL EXPORT ISSUE. IT MEANS OFFSETTING THE TRADE IMBALANCE ONE BILLION DOLLARS FOR EACH 100,000 BARRELS/DAY EXPORTED

ANNUALLY. FURTHER, IT SHOULD BE POINTED OUT THAT ALASKA OIL PRODUCTION NOW EXCEEDS 1.8 MILLION B/D. PREVIOUS PRODUCTION AVERAGED 1.5 MILLION B/D.

IN CONSULTATION WITH THE LEADERS OF THE MARITIME UNIONS AND VARIOUS U.S. SHIPPING FIRMS I HAVE DRAFTED A SENSE OF THE SENATE RESOLUTION ON THE AUTOCARRIER ISSUE WHICH I INTRODUCED IN THE SENATE YESTERDAY (COPY ATTACHED).

WE HAVE TO FIND REALISTIC WAYS TO REDUCE OUR TRADE DEFICITS WITHOUT THROWING UP BARRIERS OF OUR OWN. TO DO THIS WE ARE GOING TO HAVE TO IDENTIFY SOME SPECIFIC PROPOSALS TO OUR JAPANESE FRIENDS. WE HAVE ONLY TWO CHOICES — TO ASK THEM TO MARKET LESS IN OUR COUNTRY, WHICH IS UNREALISTIC, OR TO ENCOURAGE THEM TO BUY AMERICAN. I HOPE MY SUGGESTIONS WILL BE CONSIDERED.

S.I.C.

10910.382

99th CONGRESS
1st Session

S. RES. _____

IN THE SENATE OF THE UNITED STATES

Mr. Murkowski submitted the following resolution; which was _____

RESOLUTION

To express the sense of the Senate regarding automobile carriers.

Whereas United States vehicle imports from Japan, which had previously been limited by the revised voluntary restraint program, were running at 1.85 million units a year;

Whereas with the lifting of the automobile quota, these imports are now projected to increase to at least 2.3 million units this year, or 21.5 percent of the entire United States automobile market;

Whereas the United States is by far the largest single vehicle market for Japan;

Whereas Japanese commercial interests currently control over two-thirds of the world's car carrier fleet and account for more than two-thirds of all worldwide vehicular movements;

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Whereas of the total number of ships carrying vehicles from Japan to the United States, one-third are Japanese flag vessels, two-thirds are flag of convenience vessels either owned or controlled by Japanese firms, and none are United States flag vessels;

Whereas United States flag vessel operating costs are competitive with Japanese flag vessel operating costs on a voyage-by-voyage or any other comparative basis;

Whereas Japanese flag vessel costs are actually greater than those of flag of convenience ship operators;

Whereas Japan's dominance of seaborne vehicle transportation is thus not a result of a competitive advantage but is a direct result of commercial cargo preference practiced between Japanese vehicle manufacturers and the Japanese ship owners;

Whereas the Japanese Government has indicated that while all vehicle exports to the United States are transported on Japanese controlled ships, there is little the Government of Japan is willing to do to enable United States participation;

Whereas it is apparent that commercial considerations in the Japan/United States vehicle trade are secondary to the interests and policies which the Japanese Government has chosen to condone;

Whereas it is only fair that United States flag carriers be permitted to participate in this vehicle transportation industry since it is the billions of dollars paid by United

S.I.C.

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States consumers that make this trade possible;

Whereas participation by United States flag carriers in this trade should be on the same terms as participation by Japanese flag carriers;

Whereas United States shipping companies stand willing to build their additional vehicle carriers in Japan so as to make their carrier operations cost competitive;

Whereas United States participation in the vehicle carrier trade would create additional jobs for United States merchant seamen;

Whereas the preference of a reasonable number of United States flag vehicle carriers and the maintenance of United States seafaring jobs is an important national security matter; and
Whereas participation by United States carriers in this vehicle trade would help to reduce the growing and troublesome trade deficit between the United States and Japan: Now, therefore, be it

Resolved, That it is the sense of the Senate that--

(1) the President should immediately take action to initiate bilateral negotiations with the Japanese Government to open up the vehicle carrier trade between the United States and Japan to include participation by United States shipping firms in long-term, core vehicle transportation contracts; and

(2) the President should report to the Congress on

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S.L.C.

the progress of such negotiations within 90 days after
the date on which the Senate agrees to this resolution.

WASHFAX RECEIPT

THE WHITE HOUSE

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A

MESSAGE NO. 692 CLASSIFICATION UNCLAS PAGES 7

FROM Alfred Kingon
(NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION _____

TO (AGENCY) STAT.	DELIVER TO:	DEPT/ROOM NO.	EXTENSION
<u>B</u> <u>A</u>	<u>Sheila Lopez</u>		<u>25804</u>

REMARKS